



BNY MELLON
SHAREOWNER SERVICES



April 21, 2010

Transfer Agents – Turning your Provider into a Partner

San Diego NASPP Chapter Presentation

“WIFM”

“WIFM”

Purpose:

Why am I here?

Why are you here?

“WIFM”

Provider: one who makes available, supplies or equips

Partner: one who shares or is associated with another
in some action or endeavor

“WIFM”

We all expect to gain something (mutual benefit)

But both must contribute to be a partnership

Your Issues of Concern

What troubles you with your Transfer Agent Interaction?

What troubles you with your Broker Agent Interaction?

Understanding Each Other's Needs

Exercise #1

What is a Transfer Agent?

The entity acting for an issuer in the registration of a transfer of its securities, in the issue of the new security certificates or uncertificated securities, or in the cancellation of surrendered security certificates.

The Transfer Agent has the same obligation as the issuer to the holder of a certificated or uncertificated security with regard to any function performed.

Transfer Agents also act as Registrars for issuers which keep track of every share issued and outstanding.

What is a Transfer Agent?

Transfers

Record Keeping

Issuances

Reports

Dividend Disbursements

Dividend Reinvestment

Direct Stock Purchase Plans

Tax Reporting

Mailings

Share Sales

Shareholder Communications

Printing & Web Hosting

Proxy Tabulation

Proxy Solicitation

Corporate Actions

Abandoned Property

Employee Plans

Options

Treasury Repurchases

Escrow/Custody Services

What is a Transfer Agent?

Your “Agent”

What is a Transfer Agent?

Exercise #2

Background of Transfer Agents

- 1900's In-house transfers
- 1930's Abuses in capital markets
- 1933-4 Stock Market Crash & birth of SEC
- 1950's Bull Market
- 1960's SEC scrutiny of sub-standard performance
- 1970's Bull Market continues
- 1980's More IPOs
- 1990's More Regulations, Consolidation of Agents
- 2000's More Regulations, More Consolidations

Background of Transfer Agents

- Need Capital: \$10MM & \$25MM bond
- Need computing power to maintain numerous records
- Low margin/No margin business
- Manually Intensive
- Staffing by clerks for basic key-entry processing
- Prone to interpretation and errors
- Financial liability
- Heavily regulated

Transfer Agent Rules and Regulations



1.



**UNIFORM
COMMERCIAL
CODE**



FDIC

STA

THE SECURITIES TRANSFER
ASSOCIATION, INC.
Established 1911



Trends of Transfer Agents

- Regulations, Regulations, Regulations
- More costly systems enhancements – DRS, Lost S/H Searches, CA SS#, Notice & Access, Cost Basis
- Attrition of registered stockholders
- Attrition of Corporate Issuers
- Dematerialization – DRS and fewer certificates
- Concerted move to the Internet to provide access and promote self service
- Looking to other sources to extract value fees from

Trends of Transfer Agents

Exercise #3

Provider to Partner

Other Common objectives

- Want to reduce errors and ‘rework’
- Want consistency in service
- Want better use of time – reviewing and processing
- Want to improve overall service

Good communication (issuer, agent, broker)

- Transmitting
- Receiving
- Timing

Provider to Partner – Reserve Case Study

Issue: Issuer is not specific when sending issuance instructions; similar named Reserves

<u>Plan Reserve</u>	<u>Name of Plan</u>	<u>Number of Shares</u>
Reserve 1	1977 Stock Option Plan	52,500
Reserve 2	1977 Employee Stock Purchase Plan	184,285
Reserve 3	1977 Global Stock Purchase Plan	756,552
Reserve 4	1977 Stock Incentive Plan	5,765,100
Reserve 5	1977 Stock Option Plan 2	12,592,750
Reserve 6	Acquisition of Deyd Company	127
Reserve 7	1997 Employee Stock Purchase Plan	52,125
Reserve 8	1997 Stock Incentive Plan (non-directors)	515
Reserve 9	1997 Equity Incentive Plan	2,427,200

Provider to Partner – Reserve Case Study

Issue: Example of language used with stock issuance notice

Control				Exercise		
No.	Holder	SS#	Date	Plan	Type	Shares
073	John Smith	989-23-9372	4/20/10	1977	ISO	500
067	Renee Zou	999-33-8362	4/20/10	1977	ISO	300
070	Tyler Brown	899-78-9890	4/20/10	1977	ISO	4000
1009	Samuel Chin	999-92-8464	4/20/10	1997	ISO	1000
872	Nancy Sell	899-72-8293	4/20/10	1977	ISO	2500
879	Jane Dou	999-82-9883	4/20/10	1977	NQ	9400

Provider to Partner – Reserve Case Study

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872	Nancy Sell	899-72-8293	4/20/10	1977	ISO	2500
879	Jane Dou	999-82-9883	4/20/10	1977	NQ	<u>9400</u>
Plan subtotals:				1977 SIP	4800	
				1997 EIP	1000	
				1977 SOP	11900	
DWAC total						17 700

Provider to Partner – Reserve Case Study

VERIGOOD INC.
123 Main Street
Anywhere, ST 99999

T/A or Option Contact

Via Facsimile – (###) ###-#### or

e-mail xxxxxxxx@xxxxxxxx.com

Date: xx/xx/10

Control No. #####

CUSIP: #####

Dear Contact,

You are hereby authorized to issue and deliver the shares of Common stock as indicated below via DWAC.

Date of Exercise: Date ##, 2010

Reserve 1 - 1977 Stock Option Plan	12,500
Reserve 2 - 1977 Employee Stock Option Plan	
Reserve 3 - 1977 Global Stock Purchase Plan	
Reserve 4 - 1977 Stock Incentive Plan	5,100
Reserve 5 - 1977 Stock Option Plan	
Reserve 6 - 1997 Global Equity Stock Option Plan	8,572
Reserve 7 - 1997 Employee Stock Purchase Plan	
Reserve 8 - 1997 Stock Incentive Plan	27,200
Total Shares to DWAC	53,372

Broker Name:

Securities Broker

Broker DTC#:

0123

Contact and Phone:

John Smith 555-555-1234

Sincerely,

Senior Stock Analyst

Ph: 555-555-5678

Cc: Broker contact

Provider to Partner

Update Option Issuance Authorization Annually

Reconcile Plan Balances Monthly or at Least Quarterly

Ask your Agent for Reserve Balances and get Online Access

Check Reserve Balances after Specific Events

- S-8
- Evergreen increases
- Stock split credits

Cancel and Delete Expired Reserves

Provider to Partner

Account Representative

- Conduct Annual Service Review
- Review process flow together –forms, requirements, security, authorizations, contacts, timing, postings
- Raise/express any concerns
- Understand their limitations
- Review new services and offerings
- Notify Agent and Plan Ahead for Projects

Provider to Partner – Stock Split Case Study

Issue: Project Planning (Stock Split) - Exercises that occur prior to record date, not picked up via DWAC until after and incur due bills

- Involve your account manager and options analyst to review and plan for the stock split process, including adjusting reserves for the split
- Draft and send notice to brokers of stock split rate, record date, payable date, ex-date and due bill process
- Check with account manager to confirm when DWACs were picked up
- Track options/DWACs exercised between record through payable date
- Create Reconciling spreadsheet to assist in tracking

Provider to Partner – Stock Split Case Study

Sample Notice

IMPORTANT NOTICE REGARDING STOCK SPLIT DUE BILLS

Please note that Devine Incorporated has declared a two-for-one stock split payable May 4, 2010 to holders of record April 21, 2010. Stock options exercised from April 21, 2010 to May 4, 2010 will be entitled to receive stock-split Due Bills which will be available on May 5, 2010, the stock-split ex-date. To help facilitate a timely delivery of Due Bills, please track all options exercised during this period and prepare to submit one aggregated DWAC for the total number of Due Bills owed. On May 5, please contact _____ of our Stock Plan Administration to confirm the number of Due Bills you are entitled to and to receive your DWAC Control Number.

Provider to Partner – Stock Split Case Study

Sample Stock Split Tracking Recon Table

						Due Bill DWAC
Broker	Date	Control#	97 EIP	04 SIP	06 GESOP	Issued on ex-date
Keen Bean LLC	4/22/10	376	12,500		62,751	
	4/23/10	378	11,850	3,000		
	4/23/10	379	4,000	12,000		
	4/23/10	381	2,000			
	5/3/10	384	7,800	4,100		
	5/4/10	386	11,400	200		
		388-SS	49,550	19,300	62,751	131,601
Bunker Ellis (SF)	4/23/10	377	500	200		
	4/27/10	380	300	400		
	4/30/10	382	600			
	5/4/10	387		1000		
		389-SS	1,400	1,600		3,000
Bunker Ellis (NY)	5/3/09	383	32,000	12,500		
	5/4/10	385	8,000	24,000		
		390-SS	40,000	36,500		76,500

Provider to Partner

Share Delivery Concerns:

- Most Agents charge brokers for DWACs. Brokers absorb the cost or charge the issuer or participants
- Consider weekly deliveries of single vestings
- Explore using Direct Registration System (“DRS”) and post shares to broker’s account
- DWAC vs. DRS
- Treasury Shares?

Speaker Biography



Joshua P. McGinn, Vice President & Senior Relationship Manager
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Josh McGinn is a Senior Relationship Manager and Vice President at BNYMellon Shareowner Services with more than 22 years of industry experience. In his current role, Josh manages shareholder services for premier corporate issuers out of the San Francisco office.

Prior to joining the BNYMellon organization in July of 2007, Josh was with Computershare and its predecessor, EquiServe, based in Boston. There he was involved with planning, developing and administering a wide range of services, including forward and reverse stock splits, acquisitions involving both stock and cash exchanges, corporate spin-offs, implementing and administering Direct Stock Purchase Plans (including one for a prominent, local internet company), assisting clients with DRS and full dematerialization programs and while working at Bank of Boston, helped develop the company's first book-entry ESPP Program.

Josh also has a solid background with annual meetings, proxy mailings, solicitations and proxy contests. He started Bank of Boston's proxy solicitation dept in the late 1980's and contributed to that organization's e-proxy, e-distribution, and proxy Household services.

Josh received both his Bachelors and MBA degrees from Boston University, has earned his Series 7 License and most recently passed Level II of the CEP Exam. He is a member of the Society of Corporate Secretaries and Governance Professionals and of the Shareholder Notice and Access Forum and a frequent attendee of NIRI and NASPP Chapter Meetings.



BNY MELLON
SHAREOWNER SERVICES

Thank You
Questions & Answers